

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 FEA-01 SEC-01 OES-03

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INFO AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY DOHA

AMEMBASSY DUBLIN

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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SUBJ: DECEMBER FINANCIAL NOTES

REF: KUWAIT 5278, DECEMBER 17, 1975 (NOTAL), KUWAIT 5128, DEC 6, 1975

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1. KUWAITI FINANCIAL INSTITUTIONS WERE MODERATELY ACTIVE IN LATE

1975 BASED ON EUROBOND ISSUES ANNOUNCED IN DECEMBER. LOCAL INSTITUTIONS PARTICIPATED IN FIFTEEN ISSUES, FOUR OF WHICH THEY COMANAGED. THE DECEMBER ISSUES WERE NOT SO DOMINATED BY US AND CANADIAN DOLLAR ISSUES AS IN THE PREVIOUS TWO MONTHS; FIVE OF THE ISSUES WERE DENOMINATED IN FRENCH FRANCS, DEUTSCHE MARKS OR EUAS. FOR THE FIRST TIME SINCE JUNE A NEW KUWAIT DINAR ISSUE WAS ANNOUNCED, A KD 4 MILLION (KD1 EQUALS \$3.50) IRISH BORROWING. SEVERAL KUWAITI INSTITUTIONS PARTICIPATED IN A MATSUSHITA CONVERTIBLE DEBENTURE ISSUE, AND KIC COMANAGED A \$30 MILLION ASAHI CHEMICAL ISSUE WITH THE RELATIVELY LOW INTEREST RATE OF 6 1/4 PERCENT AND THE RELATIVELY LONG MATURITY DATE OF 1990.

2. FOR THE FIRST TIME WE NOTICED KUWAIT PACIFIC FINANCE COMPANY ON EUROBOND TOMBSTONES. KPFC IS A HONG KONG BASED JOINT VENTURE INVOLVING KIC AND SEVERAL JAPANESE, AUSTRALIAN, BRAZILIAN AND CANADIAN INSTITUTIONS. IN JANUARY FOR THE FIRST TIME A KUWAITI COMMERCIAL BANK, THE GULF BANK, WAS LISTED AS A CO-MANAGER, ALONG WITH KIC AND OTHERS IN A EUROPEAN INVESTMENT BANK BORROWING. DURING DECEMBER THE FORMATION OF TWO NEW INVESTMENT COMPANIES WAS ANNOUNCED IN THE OFFICIAL GAZETTE. ONE IS ALAHLI OF KUWAIT INVESTMENT COMPANY WHICH IS ESSENTIALLY A SUBSIDIARY OF ANOTHER COMMERCIAL BANK, THE AL-AHLI BANK WHICH HAS TRADITIONALLY BEEN ACTIVE AS AN UNDERWRITER BUT NOT AS A MANAGER OF EUROBOND ISSUES. THE OTHER, ARAB-EUROPEAN FINANCIAL MANAGEMENT COMPANY IS A JOINT VENTURE OF SEVERAL PROMINENT KUWAITI BUSINESSMEN AND SIX CONTINENTAL COMPANIES: PRIVATE INDUSTRIAL AND MORTGAGE BANK (FRANCE), UNION DES ASSURANCES (FRANCE), BANK ORMOND BURRS AND COMPANY (SWISS), ULTRAFINE COMPANY (SWISS), HAUK BANKERS COMPANY (LUXEMBOURG) AND SEVIERA COMPANY (SPANISH). END UNCLASSIFIED.

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3. IN OTHER DEVELOPEMENTS A REPRESENTATIVE OF A MAJOR AMERICAN BANK CLAIMED DURING DECEMBER TO HAVE LEARNED THAT THERE WAS SOME IRANIAN BORROWING OF KUWAITI DINARS TO COVER CASH FLOW PROBLEMS EXPERIENCED BY IRANIAN BUSINESSMEN. HE ALSO STATED THAT TWO KUWAITI INSTITUTIONS, KUWAIT INTERNATIONAL INVESTMENT COMPANY AND INDUSTRIAL BANK OF KUWAIT, WERE SEEKING CREDIT LIMITED OFFICIAL USE

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LINES FROM ABROAD APPARENTLY IN AN EFFORT TO ESTABLISH THEIR CREDIT WORTHINESS NOW IN ANTICIPATION OF POSSIBLE FUTURE REQUIREMENTS.

4. FINALLY, WE UNDERSTAND THAT MORGAN WILL SOON TAKE OVER MANAGEMENT OF BANK OF KUWAIT AND MIDDLE EAST (BKME) WHICH IS SUCCESSOR OF FORMER BRITISH BANK OF MIDDLE EAST BRANCH HERE. WE HAVE BEEN TOLD MORGAN WOULD SOON HAVE PRESENCE HERE, AND

MANAGEMENT OF BKME SEEMS PLAUSIBLE BECAUSE CHAIRMAN OF BKME IS ALSO CHAIRMAN OF BANK AL-MASHRAQ A JOINT VENTURE SUCCESSOR TO INTRA BANK OF BEIRUT WHICH OWNED BY GOK, MORGAN AND OTHERS. BKME ALSO OWNED IN PART BY GOK, AND APPARENTLY KUWAITIS HAVE BECOME DISATISFIED WITH BRITISH MANAGEMENT OF BANK. WITH TAKEOVER OF BKME MANAGEMENT BY MORGAN, THREE OF SIX BANKS MANAGED BY FOREIGNERS WILL BE MANAGED BY AMERICANS. NOT CLEAR WHO WILL MANAGE NEW BURGAN BANK NOW UNDER FORMATION.

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